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SURVEY of Current Affairs

External Affairs and Defence

British Foreign Policy 287
European Community 289
Iraq-Iran War 290
International Economic Co-operation 292
Commonwealth Finance Ministers' Meeting 293

Economic and Scientific Affairs

Technological Innovation and Development 295
National Income and Expenditure, 1979 296
Shorter Notes 297
Local Authority Expenditure; Redress Procedures for Consumers; Government Aid to Industry; Nationalised Industries: Modification of Financial Arrangements; National Enterprise Board Guidelines; New Royal Award for Innovation

Social and Cultural Affairs

Young Offenders: White Paper 302

Documentation

304

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EXTERNAL AFFAIRS AND DEFENCE

British Foreign Policy

The need to resolve disputes by peaceful means, a need highlighted by the recent outbreak of hostilities between Iran and Iraq, was emphasised by Britain's Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, in a speech at the United Nations General Assembly on 23 September. The Foreign Secretary also referred to the importance of abiding by the principles of the United Nations Charter, and criticised the Soviet Union for failing to do so by its actions in Afghanistan. (For Lord Carrington's comments on the recent UN special session, see p 293.)

The last year, Lord Carrington said, had seen 'many terrible things' and 'much cruel and cynical defiance' of the principles underlying the United Nations Charter. The tasks confronting the international community, therefore, remained formidable. Not everything had been bad, however. The great majority of United Nations members had observed the Charter, and some events, notably the emergence of an independent Zimbabwe (see p 155), had shown that conflicts could be resolved; that peaceful negotiations could uncover compromises on which warring parties could settle their differences; and that perseverance, goodwill and realism could end wars and save human lives. The example of Zimbabwe, Lord Carrington added, 'should inspire us to search all the harder for peaceful, practical and [he emphasised] realistic . . . solutions to the major problems that confront the world'.

Middle East

The Arab-Israel conflict above all cried out for negotiations leading to a peaceful solution and, since these were bound to be lengthy and complex, the Foreign Secretary appealed to all concerned to refrain from inflammatory acts and statements, and thereby to help create the calmer atmosphere required for their success. Such restraint could be a major contribution to the goal of peace. Britain welcomed the proposed meeting between the leaders of Egypt, Israel and the United States,[1] and, with its European Community partners, believed that only the principles set out by the Community heads of Government in June (see pp 202-3) could form the basis for a just and lasting settlement.

Afghanistan

A political solution was also needed in Afghanistan, Lord Carrington went on, and one which would 'remove Soviet forces from Afghanistan, restore to the people of that country their sovereignty and their independence and enable them to choose for themselves how they shall be governed'. In invading Afghanistan, the Soviet Union, a permanent member of the Security Council, had violated its pledges under the Charter to respect the sovereignty of others and to refrain from the threat or use of force in international relations, and this action had been condemned by 104 members of the General Assembly (see pp 15-18). As yet, however, no end was in sight to this conflict which had caused a million Afghans to seek refuge outside their own country. Soviet troops in Afghanistan numbered tens of thousands, but they had failed to subjugate the Afghan people.

Iran

Another violation of the UN Charter was the detention of the American hostages in Iran (see pp 184-5), and international law and common humanity required their immediate release. Lord Carrington reminded the Iranian authorities of their obligations under international law to protect the rights of foreigners residing in Iran, and expressed special concern for the British subjects detained there to whom British representatives had been denied any access.[1]

Iraq-Iran Conflict

Turning to 'the state of undeclared war' between Iraq and Iran (see p 290), Lord Carrington said that the United Nations could not ignore this

[1]President Carter of the United States said on 3 September that Egypt and Israel had agreed to resume peace negotiations 'within the next few weeks' and that a summit meeting attended by the leaders of the three countries would convene 'later on this year at an appropriate time'.

[1]Four British subjects, three missionaries and a businessman, have been detained in Iran since August, and, in spite of repeated British requests, consular access to them has been denied. This situation, along with Iranian accusations that British missionaries and embassy staff are spies, has aggravated British-Iranian relations. Following a demonstration outside the United States Embassy in London on 4 August, some 70 Iranian students were arrested, many of whom were subsequently deported following court proceedings. On 9 September, the already reduced numbers of British-based staff in the British Embassy in Tehran were withdrawn with the exception of one consular official. The latter is now based in the Swedish Embassy, which has assumed responsibility for the protection of British interests. Diplomatic relations between Britain and Iran, however, have not been broken.

conflict which could have serious and unpredictable consequences. He, therefore, supported the UN Secretary-General's call for the utmost restraint, for an end to the fighting and for a negotiated settlement. This was surely no more than the United Nations had a right to expect from two of its members.

International Terrorism

Pointing out that the alarming increase in acts of terrorism against diplomatic and consular premises and staff threatened the basic fabric of international relations, Lord Carrington said that it was 'our common duty and our common interest to condemn such acts and to ensure that international terrorism, whatever form it may take, was never allowed to achieve its objective'. The British Government welcomed the inclusion on the General Assembly's agenda of proposals to enhance the safety of diplomatic and consular representatives.

Refugees

The mass exodus of refugees from their own countries was an increasingly worrying phenomenon, the Foreign Secretary stated. When the United Nations High Commission for Refugees had been set up as a 'temporary' organisation nearly 30 years ago, there had been 1·2 million refugees in the world, mainly in Europe. Now there were nearly 16 million refugees and displaced persons, principally in Africa and Asia. The tragedies which had occurred could not be undone, but it was not too late to remedy their consequences. Turning specifically to the case of Cambodia (see pp 19-20), Lord Carrington said that it was a picture of the human misery that resulted if the United Nations Charter was not respected. The Vietnamese invasion and occupation of Cambodia had created tension and conflict in south-east Asia. The stand taken by the Association of South-East Asian Nations had Britain's full support. There had to be a political solution, but this would not be achieved without the withdrawal of all foreign forces from Cambodia. That had to be the first aim of any negotiations. Lord Carrington paid tribute to the relief efforts of the UN agencies, the International Committee of the Red Cross and the many non-governmental organisations, but said that there were limits to what could be achieved by humanitarian means. So long as there was no political solution, the suffering would continue.

Southern Africa

Turning to the problems of Southern Africa, Lord Carrington pointed out that the plan already approved by the Security Council for a political solution by negotiation in Namibia (see pp 152-4, 1979) provided the only sure route to a peaceful and democratic settlement with general international recognition. Britain would continue to work with the Secretary-General and the African states most closely involved to achieve the long overdue agreement on its implementation. As for Zimbabwe, whose independence had given great satisfaction to all United Nations members as well as to Britain, Lord Carrington referred to its need for substantial aid to rebuild its war-ravaged economy. Britain had pledged $180 million in aid for the next three years, and had also cancelled $53 million of official debt and rescheduled the remainder on favourable terms. As yet, however, the international community had not done enough to put Zimbabwe back on its feet, and it was of the highest importance that there should be an international effort to underpin Zimbabwe's political and economic stability and thereby secure its future prosperity and enable it to play an influential part in Central Africa.

Emphasising that the British Government considered apartheid to be 'morally indefensible and politically unworkable', Lord Carrington argued that, if change were to come peacefully in South Africa, it would have to be a step-by-step process. It would not be achieved by increasing South Africa's isolation, nor by ostracism or threats. The forces for change within the country should not be ignored. The task of the United Nations was to remind South Africa that apartheid was repugnant to all its members and incompatible with its ideals and with those of the international community.

Arms Control

Turning to the efforts being made to deal with 'larger and more general threats to international security', Lord Carrington said that in arms control, above all, realism was called for. A comprehensive and step-by-step programme of attainable measures – covering both nuclear and conventional weapons – was the only realistic approach. The British Government would continue to work for agreements based on balanced and verifiable agreements. As it did so, it would remind those with whom it negotiated that in military matters the key to building confidence between nations often lay in a readiness to publish information on such matters as budgets and force levels.

Arms control, Lord Carrington continued, had to go hand in hand with security, and this hard fact had been reflected in the outcome of the recent Non-Proliferation Treaty Review Conference (see pp 266-8). Progress in negotiations on nuclear disarmament had been slow, but there was no reason why the common interest in preventing nuclear proliferation should be in any way diminished. The British Government remained fully committed to the Non-Proliferation Treaty and was playing a full part in the search for solutions to the outstanding problems and for a renewed consensus.

CSCE

Reaffirming Britain's commitment to the undertakings it gave in 1975 under the Final Act of the Conference on Security and Co-operation in Europe (CSCE – see pp 307-12, 1975 and 115-17, 1978) Lord Carrington said that the CSCE process could and should play a valuable role in the management of international relations in Europe. But popular faith in this process had been shaken by the actions of the Soviet Union, not least its invasion of Afghanistan which violated at a stroke all ten principles of the Final Act. Britain approached the CSCE review meeting, due to begin in Madrid in November, determined first to conduct a thorough-going review of the way in

which the Final Act had been implemented, and second to examine proposals for its future development.

The United Nations

In conclusion, Lord Carrington reaffirmed Britain's belief that the United Nations had an important role to play in the search for political solutions to the world's problems. But for the United Nations to play that role it was important not to tamper with its institutions in such a way as to impair their ability to perform the functions assigned to them by the Charter, and also that it should set itself the highest standards of good management and economy. Efficiency, competence and integrity had to remain the prime considerations in every appointment to the secretariat, and efforts made to exercise restraint over the proliferation of meetings which often only consumed money and effort with no hope of practical results. At a time of worldwide economic difficulty, wasteful expenditure had to be eliminated and the constant expansion of the organisation's budget had to be curbed. If new programmes were to be set up, room had to be found for them by first identifying and then bringing to an end other programmes which were now obsolete or of little value.

European Community

The Government's commitment to continued British membership of the European Community was emphasised by the Prime Minister, Mrs Margaret Thatcher, during an official visit to France in September. In the same month Community agriculture ministers reached agreement on a marketing policy for sheepmeat, and fisheries ministers concluded an agreement on the conservation of fish stocks. Community foreign ministers issued a statement on Turkey following a military coup there.

PRIME MINISTER'S SPEECH

Addressing the Franco-British Council at Bordeaux on 19 September, Mrs Thatcher said that there was a need to emphasise common interests and not past rivalries, for in today's 'dangerous world' co-operation among neighbours was essential for the protection of vital interests. No European nation could stand wholly on its own in an age when pressures on the world's resources of food, energy and essential raw materials grew day by day and when Europe's democratic systems and cultures were increasingly threatened and derided. This was why Britain, France and the other present and future members of the Community had resolved, in the words of the Treaty of Rome, to pool their resources to preserve and strengthen peace and liberty and to ensure the economic and social progress of their countries by common action.

The Community, Mrs Thatcher said, represented 'an ambitious attempt to construct a new kind of political organisation based on ... the principles of democratic liberty and the rule of law, of free trade and economic solidarity'. It was perhaps 'the most original practical political concept to be brought forth by the European genius since the American and French revolutions' and was an effort 'to recreate institutions expressing the fundamental reality of Europe and of the European spirit'. British membership of the Community had brought support for Europe's democratic and libertarian traditions, and a Community without Britain and France as full and equal members was 'inconceivable'.

The Prime Minister pointed out that the Community had to demonstrate its ability both to respond to challenges and to adapt to change. The enlargement in 1973 had inevitably brought problems since 'the interests of the new members had to be reconciled with the arrangements which the existing members had worked out for themselves'. The imbalance of policies leading to Britain becoming by far the largest net contributor to the Community had been recognised by its partners, and the arrangements agreed in May (see pp 182-3) had given time to devise more durable solutions.

On the Common Agricultural Policy, Mrs Thatcher observed that there was dissatisfaction in both Britain and France about the distortions in its working and said that reform was necessary to enable the Policy to meet its objectives without wasting money on unnecessary and sometimes damaging surpluses. New initiatives were also needed outside agriculture to develop the scope for common action and produce a better balance in the way the Community disposed of its resources. This had to be done, however, without 'prejudicing those efforts which national governments and individuals [were] better able to make' and without a further increase in bureaucratic regulation. These reforms were important in themselves and also as a means to an end, for Europe needed a sound economic base if it were 'to resume its rightful place as the master of its own destiny and an arbiter of world affairs'. Europe had to be strong to defend its interests and 'to advance the case for order and the rule of law in a world where disorder and lawlessness [were] everyday more widespread'.

Externally, the Prime Minister said, the Community's importance was growing, for it was the world's largest trading block and had agreements with countries in every continent. It was also playing a leading role in the conduct of relations between East and West, in the search for a solution in the Middle East (see pp 202-3) and in negotiations between the developed and developing countries (see pp 322-3, 1979).

FISH CONSERVATION

A series of measures concerning fish conservation in Community waters was agreed on 29 September by the Council of Fisheries Ministers. Speaking after the meeting, the Minister of Agriculture, Fisheries and Food, Mr Peter Walker, said that the

measures would protect fish stocks while discussions continued on a comprehensively revised common fisheries policy (see pp 203-4). They would also form part of the policy once it was adopted at the end of the year.

The agreement covers many technical measures on fish conservation including minimum mesh sizes for fishing nets in order to prevent the catching of immature fish. Existing British national measures concerning beam trawling are to continue unchanged. (Beam trawling is a method designed to catch fish like plaice and sole which feed on the sea bed.) The agreement also includes a provision concerning the Norway pout box previously negotiated by Britain and Denmark. This is an area off the north-east coast of Scotland, and the conservation measures there are designed to protect stocks of immature whitefish. Mr Walker said that British scientists had estimated that the new pout box would provide between 80 and 90 per cent as much protection for stocks of immature whitefish as the box included in Britain's previous national measures. It would operate throughout the year rather than, as at present, protection being withdrawn from part of the area for the summer six months, and it would also apply in a small new area to the east of the Shetlands.

SHEEPMEAT

Community agriculture ministers, meeting in Brussels on 30 September, reached agreement on arrangements concerning the marketing of sheepmeat in the Community (see pp 183-4). These will take effect on 20 October. Speaking on 1 October, Mr Walker said that returns to producers in Britain would be improved substantially without increasing the price to the consumer, the funds for this coming from the Community budget. The agreement also safeguarded the position of New Zealand producers on terms acceptable to the New Zealand Government; there would be an annual quota for New Zealand lamb of 234,000 tonnes, a figure greater than average exports to the Community during the past four years, and the tariff on New Zealand lamb would be halved.

TURKEY

On 15 September Community foreign ministers issued a statement on the situation in Turkey following the military coup which took place there on 12 September. Former Admiral Bulend Ulusu became Prime Minister on 20 September and he named his cabinet the next day.

The foreign ministers expressed concern about the political developments in Turkey and noted 'the assurances given by the military authorities regarding the speedy re-establishment of democratic institutions, respect for human rights and guarantees concerning the treatment of persons in public life under house arrest'. Firmly hoping that these declarations would soon be put into effect, the ministers said that it was in this spirit that the Community would continue its co-operation with Turkey.

Iraq-Iran War

Following the outbreak of war between Iraq and Iran in September, Britain has supported calls in the United Nations for an immediate end to the fighting and for a negotiated settlement between the two countries.

Background

Prior to the outbreak of war, intermittent border skirmishes had been taking place for several months. On 7 September Iraq requested Iran to hand over certain territories, as, it claims, should have been done in accordance with the 1975 Algiers agreement which had settled the frontier between the two countries. Under the agreement the frontier was defined on the basis of the 1913 Protocol of Constantinople and the 1914 verbal agreement on frontiers; the signatories also agreed that the Shatt al-Arab waterway should be divided between them, the frontier running down the middle of the deepest channel. A treaty giving effect to these provisions was signed in June 1975.

Iraq claims that certain border adjustments included in the treaty have never been implemented by Iran. On 8 September Iraq announced its intention to expel the Iranians from these areas by force, and fighting broke out on 9 September. Following the Iraqi move into the contested territory, fighting increased and on 17 September Iraq renounced the 1975 treaty and claimed the entire Shatt al-Arab waterway.

Following Iraq's abrogation of the treaty, hostilities intensified and on 22 September Iraqi troops began advancing into Iran, the airforce bombing a number of Iranian airports, including that of Tehran. In retaliation Iran bombed Baghdad and a petrochemical complex at Basra where several British subjects were killed. Further attacks on Iran have been made, culminating in the destruction of part of the oil refineries at Abadan and seizure of most of the port of Khorramshah. Despite efforts made by the United Nations and the Islamic Conference to promote a ceasefire, fighting has continued.

Iraq's position was set out on 22 September by the Iraqi foreign minister, Mr Saadoun Hassani, in a letter to the UN Secretary-General. Claiming that Iran had adopted a policy of continuous interference in Iraq's internal affairs, had repeatedly encroached on Iraqi territories, and had advanced new territorial demands, Mr Hassani said that Iraq found itself obliged 'to exercise its legitimate right to self-defence . . . and to recover its territories by force' since Iran had 'barred the way to all legally recognised ways to resolve the issues' between the two countries. Mr Hassani declared that Iraq had 'no intention whatsoever of waging war on Iran or of extending the scope of its dispute with it beyond the limits of defending its sovereignty and legitimate rights'.

On 23 September the Iranian foreign ministry appealed to other Islamic countries to condemn Iraq's 'open aggression' and not to allow their territories to be used by Iraq 'in this betrayal of the world of Islam'. In a broadcast on Tehran

radio on 29 September it was announced that the Iranian foreign ministry had informed the ambassadors of Arab countries that Iran did not covet other lands, had embarked on defence and counter-attack to suppress 'overt and intolerable aggression', and would not accept any mediation.

On 26 September the foreign ministers of the Islamic Conference decided to send a goodwill mission to Iraq and Iran headed by President Zia of Pakistan, who visited Tehran and Baghdad at the end of September. However, his mission failed to bring an end to the fighting. President Zia visited London at the beginning of October and informed the British Government of his conversations with Iran and Iraq. Speaking to the House of Lords on 8 October (*Hansard* (*HL*), Vol 413, No 185, cols 390-5), Lord Carrington said that, although President Zia was of the opinion that there was no prospect of an immediate cessation of hostilities, he and the Islamic Conference believed that a time would come when his efforts at mediation might be more successful.

Straits of Hormuz

Both Iraq and Iran have undertaken to keep the Straits of Hormuz at the entrance to the Gulf open for international shipping. On 25 September the Iraqi deputy Prime Minister, Mr Tariq Aziz told a press conference in Paris that Iraq fully respected freedom of navigation in the Shatt al-Arab, the Gulf and the Straits of Hormuz. On 1 October Iran announced that it would do its best to keep the Straits open.

Discussions at the United Nations

On 22 September the UN Secretary-General, Dr Kurt Waldheim, appealed for a ceasefire and asked Iraq and Iran to settle their differences by negotiation. During a speech to the General Assembly on 23 September (see p 287), the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, supported Dr Waldheim's appeal, and said that the conflict could have 'serious and unpredictable consequences'. He welcomed the fact that the Security Council would meet for informal consultations. Following these the Council asked both sides on 23 September to desist from all armed activity and any acts that might worsen the situation.

On 25 September Mexico and Norway requested a formal meeting of the Security Council to consider the war. The following day the meeting of foreign ministers of the Islamic Conference to seek ways of resolving the differences between Iraq and Iran took place at the UN headquarters in New York, and decided on the goodwill mission to the two countries.

The Security Council on 26 September unanimously adopted a resolution calling upon Iraq and Iran 'to refrain immediately from any further use of force and to settle their dispute by peaceful means and in conformity with principles of justice and international law', and on other states to 'refrain from any act which may lead to a further escalation and widening of the conflict'. It also urged both parties 'to accept any offer of mediation or conciliation or to resort to regional agencies or arrangements or other peaceful means of their own choice that would facilitate the fulfilment of their Charter obligations'.

British Views

Stressing that Britain was acutely aware of the 'great dangers to international peace inherent in the bitter fighting which [had] broken out between Iraq and Iran', the British Permanent Representative, Sir Anthony Parsons, told the Security Council on 26 September that the British Government profoundly deplored all armed conflict 'with its inevitable toll of death, suffering, displacement of people and material damage'. The conflict had wider implications for the stability of the whole region and 'grim political consequences' for the fragile state of the world's economy. There was a need for an immediate cessation of the fighting and a negotiated settlement, 'irrespective of the claims and counter-claims of the parties'. It was Britain's sincere wish that both countries would heed the international call for a ceasefire, and it was essential that all states exercised 'utmost restraint'. The British Government was ready to continue to do everything in its power to bring about a peaceful solution through the Security Council. It supported Dr Waldheim's efforts, and was encouraged by the activity of the Islamic Conference.

Other comments on the British attitude to the war were made in London on 24 September by the Minister of State at the Foreign and Commonwealth Office responsible for Middle East affairs, Mr Douglas Hurd, in an address to the Diplomatic and Commonwealth Writers Association. Mr Hurd said that Britain wanted to see the maintenance of stability in the Gulf and that it was a major Western interest to keep the Gulf open.[1] Britain would continue, in co-operation with other European Community member states, its Arab friends and the United States, to try to keep together a system offering reasonable stability to a part of the world which was of overwhelming importance.

Other Views

Earlier, Lord Carrington and the other eight European Community foreign ministers, meeting on 23 September, had expressed 'deep concern' at the military confrontation between Iraq and Iran, and had stressed the need 'to avoid anything which might give it a broader dimension'. They looked to other states, especially the great powers, to maintain the restraint they had shown, and they declared themselves ready to support 'any international initiative likely to promote a political settlement of the dispute', and, recalling the 'capital importance' for the international community of freedom of navigation in the Gulf, emphasised that it was imperative that this freedom should not be infringed.

In a statement made on 24 September the United States President, Mr Jimmy Carter, strongly supported the Community's declaration and pointed out that freedom of navigation in the Gulf was of 'primary importance to the whole international community'. He also emphasised that the United States was not, and would not

[1]Recent estimates suggest that about one-third of the West's oil supplies pass through the Straits of Hormuz.

become, involved in the conflict. In his statement to the Security Council, the United States Ambassador, Mr Donald McHenry, said that the United States would continue to observe 'a strict and scrupulous attitude of neutrality' and expected other nations to follow the same policy. Freedom of navigation to and from the Gulf was of primary importance to the international community and should not be infringed in any way. Calling for an end to hostilities, Mr McHenry said that the dispute had to be settled at the negotiating table and not the battlefield.

Stating the Soviet Union's position, the Soviet Permanent Representative to the United Nations told the Security Council that the conflict between Iraq and Iran was playing into the hands of reactionary and imperialist forces and he urged both countries to settle their differences through negotiations.

International Economic Co-operation

Britain has welcomed the agreement reached at the recent special session of the United Nations General Assembly on a new international development strategy for the 1980s. It has also expressed support for the special session's resolution calling for increased aid for the least developed countries, and its readiness to work for the successful launch to the global negotiations on international economic co-operation for development which are scheduled to begin in January 1981.

The special session, the General Assembly's eleventh, met in New York from 25 August to 15 September. Its purpose, as drawn up by the General Assembly in 1977, was to assess progress made towards the establishment of the new international economic order, and, on the basis of that assessment, to take action to promote the development of developing countries and international economic co-operation. Within this its main tasks were to adopt a new international development strategy for the 1980s, and to set in motion a new round of 'global negotiations' on economic co-operation, these to embrace major issues related to raw materials, energy, trade, development and money and finance.

International Development Strategy

The development strategy for the 1980s, which was agreed in committee by consensus and 'noted with satisfaction' by the special session, calls for an average annual growth rate by developing countries of 7 per cent in the 1980s, this embracing average annual increases of 4 per cent and 9 per cent respectively in agriculture and manufacturing industry, and of not less than 7·5 per cent and 8 per cent respectively in the export and import of goods and services. The strategy also calls for the elimination of hunger and malnutrition as soon as possible and certainly before the end of the century, and for significant improvements in infant mortality and life expectancy in developing countries.

In support of this, the strategy speaks of the need to enhance 'the flow of financial resources to developing countries on terms and conditions better attuned to their development aims and economic circumstances'. In particular, it urges a 'rapid and substantial' increase in official development assistance by all developed countries with a view to their reaching the target of 0·7 per cent of gross national product (GNP) for such flows[1] by 1985 and in any case not later than in the second half of the decade, and a target of 1 per cent as soon as possible thereafter. The flow of such assistance, it adds, should be increasingly directed towards the least developed countries;[2] and, in a separate resolution, the special session urged donors to give 'serious consideration' to tripling their official development assistance to these countries by 1984 and quadrupling it by the 1980s. This resolution also states that such assistance should normally be provided 'in the form of grants which, as a general rule, should be untied'.

Other aspects of the strategy call for the reform of the international monetary system, including the provision for equitable and effective participation by developing countries in the decisions of the International Monetary Fund and the consideration of development needs in any distribution of special drawing rights created by the Fund to meet the needs of the world economy; more favourable treatment, on a non-reciprocal basis, for the trade of developing countries, including a strengthened commitment to ensure that safeguards against trade disruption are not used to hide protectionism or to preserve declining industries; and a review and appraisal of the implementation of the strategy by the General Assembly in 1984.

The Global Negotiations

The global negotiations were referred to the special session in December 1979 when the General Assembly decided to launch 'a round of global and sustained negotiations on international economic co-operation for development, such negotiations being action-orientated and proceeding in a simultaneous manner in order to ensure a coherent and integrated approach to the issues under negotiation'. A document prepared in committee at the special session envisaged a United Nations conference as the forum 'for co-ordinating and conducting the global negotiations', with

[1]The strategy for the Second United Nations Development Decade, adopted in 1970, recommended that each developed country should progressively increase its official development assistance to the developing countries and exert its best efforts to contribute a minimum net amount of 0·7 per cent of its GNP annually.

[2]The 30 states which the United Nations has designated as least developed are Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Ethiopia, The Gambia, Guinea, Haiti, Laos, Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Somalia, Sudan, Uganda, Tanzania, Upper Volta, Western Samoa, the People's Democratic Republic of the Yemen, and the Yemen Arab Republic.

detailed negotiations taking place in specialised fora like the United Nations' specialised agencies and other bodies. The special session, however, failed to achieve consensus on this proposal, this reflecting the fear of the British, Federal German and United States Governments that the proposed arrangements would impair the working and integrity of specialised bodies such as the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade. A United States representative at the special session, Mr Donald McHenry, said that, while there was a need for a co-ordinating body, the proposed arrangements could be taken to imply that results negotiated in the specialised agencies could be re-negotiated by the conference. An affirmation of the integrity of the specialised agencies would have enabled progress on the global negotiations. (Other developed nations shared this concern for the specialised agencies, but considered that the proposals provided adequate protection on this point.)

In the absence of consensus, the special session took note of the committee's proposals and referred the matter to the General Assembly's regular session for further consideration.

BRITAIN'S VIEWS

Speaking in the General Assembly on 23 September, Britain's Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, welcomed the special session's agreement on the international development strategy and its resolution concerning the least developed countries. At the same time, he expressed regret that agreement on the procedures for the global negotiations had not been possible, but said that in the continuing discussions Britain would work for 'a successful launch of the global negotiations on a generally acceptable basis'.

Speaking of Britain's support for the special session as a 'collective attempt to set a framework for development over the next decade', Lord Carrington said that this was 'a positive act that accorded well with the ideals of the [United Nations] Charter'. A common effort was essential to ensure that this world economic system evolved to meet the needs of all. In making that effort, however, it was important not to weaken the foundations of the world's trading, monetary and financial systems which had been built up gradually over the years and which had seen an unprecedented increase in world prosperity.

Despite domestic economic problems, Lord Carrington continued, Britain's aid programme was substantial, being the fifth largest of the industrialised countries and the seventh highest as a proportion of gross national product.[1] Aid, however, was only one factor in the development process. Private investment and other private flows were also essential. In 1978, for example, net private flows from Britain to developing countries amounted to $8,700 million, or 2·8 per cent of GNP. Trade also was vital and 18 per cent of Britain's imports in 1978 came from developing countries. These were worth $19,000 million, or 4·6 per cent of GNP. In addition, Britain was working with its partners in the European Community to increase aid, trade and investment for the benefit of developing countries. Through the Lomé Convention (see p 322, 1979), the Community had given to 59 countries in Africa, the Caribbean and the Pacific guaranteed access to its markets for an assured quota of their products. The Convention also provided aid and technical co-operation on a very large scale.

[1] In 1979 British net official development assistance amounted to £974 million, 0·52 per cent of GNP. (The average for the members of the Organisation for Economic Co-operation and Development's Development Assistance Committee was 0·34 per cent of GNP.) About two-thirds of Britain's bilateral overseas development assistance was directed towards the poorest countries.

Commonwealth Finance Ministers' Meeting

The 1980 meeting of Commonwealth finance ministers, chaired by Britain's Chancellor of the Exchequer, Sir Geoffrey Howe, took place on 24 and 25 September in Bermuda. The meeting discussed the deteriorating world economic situation, payments imbalances caused by rising prices of energy and high rates of inflation, the work of the International Monetary Fund and the World Bank, and Commonwealth functional co-operation.

World Economic Situation

In the communiqué issued at the end of the meeting, ministers noted 'with grave concern the further deterioration in the world economic situation since their last meeting' (see pp 288-9, 1979). The industrialised countries were experiencing higher than anticipated rates of inflation, and lower growth rates and were threatened with increasing unemployment. The developing countries, particularly low-income countries, had deteriorating growth rates, a worsening in their balances of payments, and further setbacks in their development efforts; their prospects were grim unless new initiatives could be launched to provide them with 'greater financial assistance and better opportunities to expand their exports at remunerative prices'. Ministers therefore called for an early reduction of protectionist trade measures and the continuation of efforts to improve market access for manufactured and agricultural exports, particularly those of developing countries.

Noting that sustained and long-term improvement in the world economic situation was not possible without lower rates of inflation and structural changes in the world economy, ministers urged all countries to give maximum support to the 1981 global round of negotiations on international economic co-operation. They expressed 'grave disappointment' at the failure of the United Nations special session to agree on procedures and the agenda for the global round, and stressed the urgent need for a political consensus at the highest level in order to secure success in the negotiations (see p 292). They also

hoped that the limited and representative summit proposed by the Brandt Commission (see pp 209-12) would be held in early 1981.

Balance of Payments and Development Financing

Concern was also expressed by ministers at widening payments imbalances resulting from rising energy prices, high rates of inflation and the reduced level of world economic activity. The financing of the deficits of the oil-importing developing countries would remain one of the most critical issues, particularly over the next two or three years; if higher levels of deficits could not be financed, there would be 'a serious compression' of real imports and 'a substantial cutback' in the already low growth rates of these countries.

Ministers also believed that the expansion of long-term resource flows including private investment was necessary; they therefore stressed the need to provide additional finance from official sources on concessional terms to low-income countries and to facilitate larger flows of commercial funds. In addition, noting with disappointment the lack of progress in meeting international aid targets, ministers urged industrialised and surplus countries seriously to consider stepping up the volume of their assistance to oil-importing developing countries. Particular importance was attached to the role of multilateral institutions in enlarging the flow of funds to developing countries, and ministers emphasised the desirability of recycling the surpluses of the oil-exporting countries.

International Monetary Fund

Ministers welcomed recent and prospective increases in the resources available to the International Monetary Fund and in the volume of its loans to member countries (see p 292). They noted, however, that relatively few countries benefited from the Fund's assistance, and, to enable it to play a greater financing role, suggested that consideration should be given to increased access and eligibility under existing facilities, the creation of new facilities, the wider use and further allocation of special drawing rights, and subsidisation of interest charges for low-income countries. In particular they recommended that individual domestic, social and political circumstances should be fully taken into account in the Fund's operational policies, and that special attention should be given to the balance of payments problems of small economies and those of the least developed countries.

World Bank

On the World Bank ministers agreed on the need to increase substantially its lending capacity and urged early action on measures to do this. Noting that a proposal for the creation of a separate affiliate to finance energy development was under consideration by the Bank, they requested it to complete its examination of this possibility at an early date and to initiate appropriate consultations with governments; in this context ministers emphasised the need to pay due regard to the interests of developing countries.

Ministers welcomed the Bank's recent initiative to provide structural adjustment loans and agreed that their volume should be increased substantially and that there should be significant expansion in the Bank's normal programme lending. There was a need for flexibility in criteria and procedure for such assistance and in the conditions attaching to it.

Noting with concern the delay in completing the sixth replenishment of the International Development Association (IDA), ministers urged that all participating countries should take immediate steps to complete the necessary legislative action and expressed a firm hope that the funding of the IDA could be placed on a sounder basis in future.

Commonwealth Functional Co-operation

While expressing concern over the decline in resources available to the Commonwealth Fund for Technical Co-operation (CFTC), ministers noted that a number of member governments had announced increases in their contribution for 1980-81. They also noted with satisfaction the important role played by the CFTC in meeting the technical assistance requirements of the smaller member states and requested the Secretary-General to strengthen the work of the Commonwealth Secretariat and the CFTC in this area. Satisfaction was also expressed with the progress made in developing an effective Commonwealth programme of assistance to enable developing countries to make greater use of capital markets; the Secretary-General was requested to develop programmes in this area after appropriate consultations with developing member countries.

Technological Innovation and Development

Measures to make finance more readily available to innovative small businesses have been announced by the National Research Development Corporation, which increased its investment in new projects by 80 per cent in 1979-80. A report by the Cabinet Office's Advisory Council on Applied Research and Development on future developments in information technology, which it describes as 'perhaps ... the most important area of application of micro-electronics', puts forward proposals for strengthening Britain's competitive potential in this field.

NATIONAL RESEARCH DEVELOPMENT CORPORATION

The National Research Development Corporation (NRDC) has set up a fund, with initial resources of £2 million, to increase its investment in innovative small businesses wanting to develop and exploit new inventions. With the fund, the Corporation aims to offer a wide range of financial packages including equity, preference shares and loans as well as other existing types of finance, and is already considering over 20 applications from the fund for amounts ranging from £10,000 to £60,000. The fund has been set up in response to recommendations contained in the report of the Wilson committee on the financing of small firms (see pp 105-6, 1979) and the ACARD report on industrial innovation (see pp 73-4, 1979).

The Corporation's investment in biotechnology (see pp 135-6 and 253) is expected to double in the next six months and it is actively seeking proposals which it can support from industry and academic workers. At the end of August 1980, the NRDC was funding, at universities and research council laboratories, eight projects on genetic engineering, six projects on antibiotics, six projects on potential industrial applications of micro-organisms and enzymes and two projects on vaccines at a total authorised investment of about £2·5 million.

Annual Report

In its annual report and statement of accounts published on 23 September[1], the Corporation reported a substantial increase in demand for financial support for development projects. New investment authorised by the Corporation rose by 80 per cent from £8·60 million in 1978-79 to £15·45 million in 1979-80, while the number of projects in being also rose from 508 to 608. The NRDC's total income fell by £2·21 million in 1979-80 to £19·12 million, but as a result of reduced writing off of expenditure on projects and patents and of increased interest received, the net taxable surplus, at £11·86 million, was down by only £1·06 million. Liquid resources, however, rose to £18·65 million despite a payment of £2 million to the Treasury as part of a surplus on revenue account. During the year a new subsidiary, Finovia Ltd, was formed to provide leasing as an extension of the NRDC's activities in the provision of finance for innovation. Major new projects set up during the year included: the CAM-X computer-aided design and manufacturing system (Ferranti Cetec Graphics); edible rendering of bone (Lensfield Products); a new 80-seat amphibious hovercraft (British Hovercraft Corporation/Hovertravel); the PUMA industrial robot (Unimation (Europe)); and a turntable ladder (Merryweather and Sons).

The report points out that the Corporation has been active in discussions leading to new initiatives in a number of areas in 1979-80; two of these (improved financing arrangements for small firms and biotechnology) have been described above. The NRDC has also discussed with the Department of Industry the licensing-in of industrial property rights in foreign technology and commissioned two surveys to investigate the availability of United States technology for transfer to Britain; together with representatives of British and European industry, it has continued to take part in discussions with the European Commission on its proposals for regulating competition and patent licensing (see p 174); and in order to encourage the flow of inventions from universities and other academic institutions, it has amended its normal revenue-sharing arrangements to give the first £1,000 of gross licence income to the inventors or inventing institutions before revenue-sharing as such commences.

[1] *National Research Development Corporation. Thirty-first Annual Report and Statement of Accounts 1979-80.* Available from the Corporation at Kingsgate House, 66-74 Victoria Street, London SW1E 6SL.

INFORMATION TECHNOLOGY

One minister and one government department should be responsible for co-ordinating government policies towards information technology (IT, the combination of the previously separate technologies of computing and telecommunications), according to a report from the Cabinet Office's Advisory Council for Applied Research and Development (ACARD)[1] published on 25 September.

This is the main recommendation of the report, produced by an ACARD working group chaired by Sir Robert Clayton, technical director of GEC. IT offers new ways of manipulating and presenting information which are used in, for example, electronic telephone exchanges (which can provide many new services), word processors, electronic mail and viewdata systems. The report points out that Britain's future trading performance will depend greatly on its ability to compete in world markets for products and services based on IT and on the rapid and effective application of such products and services by industry and commerce generally. As the world market for information technology products is currently £50,000 million, rising at 10 per cent annually, a significant British presence in this market is essential for Britain's future industrial success as it will provide many new jobs to replace those in declining industries.

The report surveys the technical developments likely in information technology, potential applications in different sectors of the economy and the policies of other industrial countries. It stresses that a single focus within Government is required in order to ensure that IT is given adequate attention and that its development is not inhibited through conflicting policies. Such a focus would increase the efficiency of decision-making and actions and reduce the number of bodies with which private sector interests have to deal. An explicit and publicly stated recognition by Government of the importance of IT and a programme to increase general awareness of it among both industry and the public are also required, says the report. It is important that these measures are introduced rapidly; otherwise Britain will fall further behind in the development and application of this crucial technology.

The report concludes that awareness of the potential information technology in industry is lower in Britain than in competitor countries and draws attention to the shortage of staff with appropriate skills. It points out the central role of the Post Office in providing the national telecommunications network, and stresses the importance of adequate investment – from both public and private sources – in this network.

The report also calls for innovative projects in the public sector to demonstrate the potential of the technology. Other recommendations concern data protection legislation (see p 16, 1979), the legal status of computer-held data, research priorities and international negotiations on regulations and standards.

The report has been submitted to the Government which will respond when the proposals have been fully considered.

[1] *Information Technology*. HMSO, £3·30. ISBN 0 11 630818 4.

National Income and Expenditure, 1979

Revised figures in the National Income and Expenditure Blue Book,[1] published in September, show that Britain's gross national product (GNP) increased by a little under 1 per cent in real terms (after allowing for price changes) in 1979. As a result of reductions in personal taxation during the year, real personal disposable income rose by 6 per cent. The increase in 1978 had been 8 per cent and this was only the second time since the second world war that there had been a rise of 14 per cent or more over two years. Savings in 1979 amounted to 14 per cent of personal disposable income, compared with an average of 12 per cent in the previous three years. GNP at current prices rose from £145,000 million in 1978 to £164,000 million in 1979, the average per head of population increasing from £2,593 to £2,930.

The Blue Book contains statistics for national income, expenditure and output for each of the 11 years from 1969 to 1979, with summary tables going back to 1958.

National Income

Real gross domestic product (GDP) at factor cost (the total value of goods and services produced) rose by 1·4 per cent in 1979, compared with 3·1 per cent in the previous year. (GDP is normally calculated with reference to an unweighted average of three estimates based on output, income and expenditure data.)

Real national disposable income increased by 2·4 per cent in 1979, having risen by 5 per cent in 1978. (Real national disposable income is a measure of the value of the goods and services available to the nation and is calculated by adjusting gross domestic product at market prices for changes in both the terms of trade, which express the price of exports in relation to that of imports, and in net earnings and transfers from abroad.) Of the rise in 1979, changes in the terms of trade contributed 1 percentage point.

Expenditure

Total final expenditure rose by 3·1 per cent in real terms between 1978 and 1979. The largest percentage increase was in imports of goods and services, which rose by 11 per cent. Consumers' expenditure increased by 4 per cent and exports of goods and services by 2·7 per cent.

Factor Incomes

The main component of total domestic income is income from employment (mainly wages and salaries), which rose by 17 per cent in 1979 at current prices, compared with 14 per cent in the previous year.

In 1979 the gross trading profits of industrial and commercial companies, after deducting stock

[1] *National Income and Expenditure 1980 Edition*. HMSO, £10·50. ISBN 0 11 630776 5.

appreciation which more than doubled between 1978 and 1979, increased by 11 per cent in terms of current prices. The rise before allowing for stock appreciation was 25 per cent. However, if the North Sea oil industries are excluded there was a slight fall. As a result of increased prices for crude oil and expanded production, the North Sea oil and gas industries doubled their profits, net of stock appreciation, between 1978 and 1979 and accounted for 22 per cent of all company profits in 1979, compared with 12 per cent in 1978.

The share of company profits in gross domestic product net of stock appreciation fell slightly in 1979 from the latest peak of 12 per cent reached in 1978 to 11·6 per cent. Even this figure was considerably below the levels of the 1960s despite the recent growth in profits arising from North Sea oil and gas.

The gross trading surplus of public corporations net of stock appreciation fell by 2 per cent at current prices in 1979, having risen by 7 per cent in the previous year. However, the overall figures for movements in gross trading surpluses conceal widely differing performances by the various corporations.

Output at Constant Prices

Manufacturing output in real terms changed little in 1979, being about 4 per cent below the peak reached in 1973. Real output of the mining and quarrying industries, which include the production of North Sea oil and gas, rose by 27 per cent in 1979, following the rise of 24 per cent in the previous year. Real output of the gas, electricity and water industries increased by 6 per cent in 1979 and that of the transport industries by 3 per cent. Two industries, agriculture and construction, experienced a fall in real output during the year, each of 3 per cent.

The Blue Book provides information on changes in the contribution to GNP made by each industry during the period 1969-79. The main change concerned petroleum and natural gas, the share of which was insignificant in the years up to and including 1975, but by 1979 had reached 3 per cent. The share of manufacturing as a whole fell from 32 per cent to 26 per cent over the ten years while there was a steady increase in the share of insurance, banking and finance from a little under 7 per cent to a little less than 9 per cent.

The Personal Sector

Income

Real personal disposable income increased by a little under 6 per cent between 1978 and 1979. Total personal income, before providing for depreciation and stock appreciation, rose by 17 per cent at current prices. Within this, income from employment and self-employment and also current grants from general government (that is, central government and local authorities) all increased by 16-17 per cent while rent, dividends and net interest rose by 21 per cent. Taxes on personal income increased by 10 per cent and National Insurance and similar contributions by 14 per cent so that the rise in personal disposable income, before providing for depreciation and stock appreciation, was nearly 19 per cent, slightly greater than the rise in total personal income.

Expenditure

As might be expected to occur over a period of generally rising incomes, the proportion of consumers' expenditure accounted for by food fell between 1969 and 1979, from 21 per cent to 18 per cent. The proportion spent on tobacco also fell, from 6 per cent to 4 per cent. Expenditure on motor cars and motor cycles, both new and secondhand, rose slightly, from 3 per cent to 4 per cent of consumers' expenditure. However, in real terms, expenditure on this item in 1979 was some 10 per cent below the pre-oil crisis peak of 1972.

General Government Expenditure

The volume of government expenditure on goods and services rose by 1 per cent during 1979, which was still greater than the slight rise achieved in 1978. Fixed investment fell by 5 per cent in 1979, largely because of the severe cutback in housebuilding by local authorities.

Current expenditure on goods and services rose by 2 per cent in real terms in 1979, as it did in 1978. Expenditure on military defence increased by 3 per cent in 1979, having fallen in each of the previous two years. The volume of current expenditure on the National Health Service, education and all other goods and services continued to grow.

In 1979 social security benefits accounted for one-quarter of total expenditure of general government while military defence, education and the National Health Service each accounted for 12-13 per cent. The rise in the relative importance of social security benefits (in 1969 they had accounted for 21 per cent of the total) reflects both the rise in the number of recipients and the increased amount paid to each.

Investment

In 1979 the volume of fixed investment fell by more than 1 per cent, having risen by nearly 4 per cent in the previous year. Private sector investment changed little in 1979, having risen by 11 per cent in 1978, while investment by general government and public corporations fell by 5 per cent and 3 per cent respectively.

The fall in the volume of fixed investment was caused mainly by the continuing reduction in investment in dwellings. The fall amounted to 12 per cent in 1979, after a rise in 1978. However, investment in vehicles, which had hardly changed in 1978, rose by 5 per cent in 1979 and investment in plant and machinery continued to rise, by 7 per cent, while that in other new buildings and works continued its recent fall, showing a reduction of 7 per cent.

Britain's net capital stock, valued at current replacement cost, amounted to some £605,000 million in 1979, 20 per cent more than in 1978.

Shorter Notes

LOCAL AUTHORITY EXPENDITURE

As part of the Government's policy of reducing public expenditure, restrictions on the current spending of local authorities in 1980-81 were announced by the Secretary of State for the Environment, Mr Michael Heseltine, on 18 September. The original budget which the local authorities submitted in April indicated an excess of £740 million (5·6 per cent) of planned current expenditure over the level set at the time of the rate support grant (RSG) settlement.[1] Mr Heseltine explained that these budgets historically overstated the final outturn which, he judged, would be 2-3 per cent above target. He was not prepared to accept such a figure and had therefore called for revised budgets. The new budgets showed a reduction of £390 million from the original, which meant that they were still £350 million (2·6 per cent) above target.

With manpower accounting for 70 per cent of local authority current expenditure, the Secretary of State said that manpower reductions would need to take place much faster than they had in the nine months to March 1980 if he were to be totally satisfied that overspending would disappear this year. However, figures for the period April-June 1980, announced that day, showed the first signs that this was happening: in the year ended June 1980 there had been a fall of 29,000 full-time equivalents (1·4 per cent), the largest reduction ever achieved in local authority manpower in a single year. Nevertheless, for the 1980-81 expenditure target to be achieved, considerable further reductions in manpower would be required in the last nine months of the current financial year. Mr Heseltine had therefore decided, subject to parliamentary approval, to implement the necessary transitional arrangements so as to reduce grants to certain authorities with rates above a threshold level of 155p. (Rates are a form of local tax levied by local authorities on property within their area.) This action would not be taken, however, in the case of authorities which had made exceptional efforts to hold down their rate-financed expenditure in the current year or had achieved their two-year volume target in their revised budgets. In the case of three London boroughs which had refused to co-operate with the Government regarding their expenditure, he proposed that, where expenditure for 1981-82 had not been firmly committed, urban programme grant[2] would be withheld from them and made available to other authorities.

Mr Heseltine also proposed to withhold £200 million of RSG in November when he would make the first Increase Order for 1980-81.[1] He appreciated that such action failed to discriminate between authorities which had made great efforts to reduce their expenditure and those which had not. (With the introduction of the new RSG system in 1981 he would be able to differentiate between the 'prudent and the profligate'.) However, as it was possible that the eventual outturn could mean excess spending of less than £200 million, he would not cut the cash limit irreversibly but would withhold the £200 million only until he reconsidered the cash limit in November 1981 when making the second Increase Order. He would then have a clearer view of the outturn for 1980-81 and would be able to judge the extent to which it was fair to release all or part of the sum.

Finally, Mr Heseltine explained that he had rejected, for two reasons, the idea of a reduction in the capital programme of local authorities. First, he felt that reductions in current expenditure were more important than those in capital expenditure. Secondly, he sympathised with the arguments advanced by the construction industry against further reductions in workload.

REDRESS PROCEDURES FOR CONSUMERS

Improvements to the redress procedures available to consumers under codes of practice[2] are suggested in a consultative document[3] published by the Office of Fair Trading (OFT) on 25 September. In particular the document proposes a greater measure of standardisation for the system of arbitration that is available under most of the codes.[4] Under this system, a consumer who has not achieved a resolution of his complaint by reference to the suppliers, to consumer advice agencies, or to the relevant trade association, may, as an alternative to taking the case to a county court, refer it to an arbitrator appointed by the Chartered Institute of Arbitrators. While the OFT should encourage the adoption of a standard arbitration scheme, the document says, the scheme should be sufficiently flexible to take account of specific trade features. It is also suggested that the consumers' fee for code arbi-

[1]About half the current expenditure of local authorities is financed out of RSGs from central government. For further information on local government finance, see COI reference pamphlet *Local Government in Britain*, No 12/RP/79, pp 16-21.

[2]Under the Inner Urban Areas Act 1978 central government gives financial assistance to some local authorities to undertake major programmes in urban areas.

[1]RSG settlements are made at current price levels. They are subsequently increased by means of Increase Orders to take account of increases in pay and price levels. The first of these, a year after the settlement, covers changes since the time of settlement; the second, changes up to the end of the grant year.

[2]Codes of practice are schemes designed to protect consumers, sponsored by trade associations and similar bodies with the encouragement of the Office of Fair Trading. They incorporate clearly defined procedures for customers to seek resolution of complaints.

[3]*Redress Procedures under Codes of Practice.* A consultative document. Available free from the OFT, Field House, Bream's Buildings, London EC4A 1PR.

[4]Of the 19 codes of practice that have been established, 13 contain the option of referring a dispute to an arbitrator. They are sponsored by the representative bodies for manufacturers of domestic electrical appliances, electricity suppliers in England and Wales, electricity suppliers in Scotland, tour operators, the motor industry, the used car trade in Scotland, vehicle builders and repairers, the photographic industry, mail order traders, funeral directors, postal services, telecommunications services and the furniture industry.

trations should be standardised and based on county court charges. Other recommendations concern the cheapness of conducting arbitration on a 'documents-only' basis rather than by hearings requiring attendance in person, the setting of time targets (three months is suggested) for the arbitration process, the desirability of arbitrators supplying reasons for their decisions, and the need to provide free technical inspection facilities (in cases of complaints about motor cars, for example). The OFT should hold an annual seminar to review redress procedures and arrange for publicity to be given to the arbitration scheme and to interesting cases. Commenting on the proposals in a foreword to the document, the Director General of Fair Trading, Mr Gordon Borrie, says that they are 'designed to improve the ability of the system to provide the essential ingredients of any small claims procedure – fairness, effectiveness, simplicity, and speed, at a low cost'. The OFT invites comments on the document by the end of 1980.

GOVERNMENT AID TO INDUSTRY

The eighth annual report on the exercise of powers under the Industry Act 1972[1] gives details of government aid to industry in the year 1979-80.

The report draws attention to the review of policies on aid to industry, the results of which were announced in July 1979 (see pp 265-6, 1979).

Regional development grants continued to form the largest part of assistance to industry in the assisted areas; payments totalled £331 million compared with £417 million in 1978-79. The report notes that payments of regional development grant in respect of applications made after 12 June 1979 became deferrable for four months. Offers of regional selective assistance to create or maintain employment in the assisted areas totalled £136 million compared with £124 million the year before. The exchange risk guarantee scheme covering loans to manufacturers in the assisted areas from the European Investment Bank and the European Coal and Steel Community was extended during the year to 31 December 1981. While government factories continue to play a significant role in the assisted areas, says the report, the Government will increasingly look to the private sector to assist in financing them (see, for example, p 189).

The limit for assistance under national selective assistance schemes was raised during the year from £1,100 million to £1,350 million. Under the selective investment scheme, which closed in June 1979, grants totalling £106·5 million for 166 projects costing £1,009 million had been offered by 31 March 1980. The direct effects of this assistance are expected to include: some £700 million of orders for the British plant, equipment and construction industries; some 90,000 man years of work; and an annual primary benefit to the balance of payments of £600 million from 1982, rising to over £950 million when all projects come into operation. The scheme, which is designed to assist major projects in manufacturing, has been very successful in attracting inward investment projects to Britain, says the report. So far, 35 such projects costing £539 million have been offered assistance. (It is also noted in the report that foreign companies have accounted for 23 per cent of offers of assisted area aid, and for 24 per cent of offers of national schemes of aid, though they account for only an estimated 20 per cent of capital expenditure by manufacturing industry generally in Britain. The Invest in Britain Bureau of the Department of Industry reports an increase in inquiries reaching them and in the number of investment decisions of which they are aware.) A total of £17 million was offered under the sectoral schemes of which two (the redmeat slaughterhouse industry scheme and the micro-electronics industry support scheme) remained open at the end of the year. A number of other schemes are also covered in the report.

[1] *Industry Act 1972*. Annual report by the Secretaries of State for Industry, Scotland and Wales for the year ended 31 March 1980. HMSO, £5·20. ISBN 0 10 027729 2.

NATIONALISED INDUSTRIES: MODIFICATION OF FINANCIAL ARRANGEMENTS

Limited changes in the system of financial control of the nationalised industries were announced by the Chancellor of the Exchequer, Sir Geoffrey Howe, in an answer to a parliamentary question on 4 August (*Hansard*, Vol 990, No 227, Part II, written answers, cols 41-2). The changes had been agreed between the Government and the Nationalised Industries Chairmen's Group (NICG) which, said Sir Geoffrey, had welcomed them as 'a modest but worthwhile improvement'. Three aspects of the financing arrangements are affected.

The first concerns the way in which the annual external financing limits (EFLs) are set and administered. EFLs are short-term instruments for controlling the amount of finance (from grants or borrowing) that an industry may raise in any financial year from external sources. It is, generally speaking, the difference between capital requirements and internally generated funds. Sir Geoffrey said that the Government regarded EFLs as 'one of the main elements in the framework of financial disciplines within which the industries are required to operate', and in particular as 'an essential instrument for short-term control of public sector borrowing'. It had always been recognised, he said, that 'since the nationalised industries are trading organisations with large flows of expenditure and revenue, the EFLs cannot be immutable'. Equally, however, 'there can be no presumption that a financing deficit would be met ... by a further injection of external finance'. The agreement reached between the Government and the NICG defined 'in broad terms the circumstances in

which the Government would be prepared to consider adjusting EFLs', Sir Geoffrey said. An explanatory note accompanying Sir Geoffrey's announcement, appended to a press release, states that consultations may be held between nationalised industries and the Government if 'economic circumstances differ significantly from assumptions made at the time the limits were fixed' and if 'keeping within the original limits' would involve 'major departure from the industries' medium-term commercial interests or damage to explicit Government objectives'. There would still be no automatic adjustment of the EFL but an industry could reasonably expect the Government to permit industrial or commercial action needed to stay within the original limit, or to adjust the EFL, or to combine both courses of action. Adjustment of the EFL might involve a corresponding reduction in the following year's EFL. There had also been agreement, Sir Geoffrey said, on 'a measure of end-year flexibility' for EFLs. 'This would come into effect in 1981-82 and would allow industries to exceed the current year's EFL within limits on condition that an equal deduction was made from the following year's EFL.' The limit would be 1 per cent of forecast turnover and fixed investment expenditure.

The second change that had been agreed in principle was 'a somewhat revised presentation of nationalised industries' financing in the Financial Statement and Budget Report[1] designed to demonstrate more clearly the extent of the contribution of the industries' 'internal resources, and in particular profits, to the financing of their investment programme', Sir Geoffrey said.

The third change was agreement on 'a more flexible approach to the determination of the terms on which industries may borrow from the National Loans Fund', involving a change in the rules governing the maturity period for such borrowing.

NATIONAL ENTERPRISE BOARD GUIDELINES

New guidelines for the National Enterprise Board (NEB) were published on 7 August, replacing draft guidelines published at the end of 1979 (see pp 26-7). The substance of the guidelines remains the same – notably the requirement for the NEB to dispose of its shareholdings to private ownership as soon as commercially practicable. Four main amendments have been made, however, after discussions between the Government and the NEB and following representations made to the Secretary of State for Industry, Sir Keith Joseph. (1) The draft guidelines enjoined the NEB to make investments 'only in conjunction with private investment'. The new guidelines state: 'Whenever the Board consider it practicable, they shall make share investments only in conjunction with private share investment and shall seek to encourage maximum private sector participation.' (2) The investment role of the NEB was defined in the draft guidelines as 'a catalytic investment role restricted to . . .' (four specific kinds of activity). The new guidelines refer to 'a catalytic investment role especially in connection with . . .', etc. (3) One of the four specific kinds of investment activity the NEB may carry on has been redefined. Where the draft guidelines stated that the NEB would have a role in relation to 'small firms in areas of high unemployment, principally in the English assisted areas', this is replaced in the new guidelines by a role in connection with 'loans of up to £50,000 to small firms'. The other roles remain the same, in connection with (i) companies in which the NEB already has an interest, (ii) companies engaged in the development or exploitation of advanced technologies, and (iii) companies with industrial undertakings wholly or mainly in the English assisted areas. (4) The working relationship between the Secretary of State for Industry and the NEB was described in the draft guidelines as follows: 'he will not normally use his powers of specific direction to intervene in day-to-day matters'. The new guidelines omit the word 'normally'.

[1]An annual report setting out the economic background to the spring Budget and the transactions of the public sector as a whole, laid before the House of Commons by the Chancellor of the Exchequer when presenting the Budget.

NEW ROYAL AWARD FOR INNOVATION

Prince Charles, the Prince of Wales, announced on 11 September the creation of a new award, the Prince of Wales Award for Industrial Innovation and Production. The chief aim of the award is to encourage people with innovatory ideas to get them accepted by an industrial backer and taken into production. The competition for the award is being organised by the editorial team of the BBC Television programme, *Tomorrow's World*, and is open both to individuals and institutions, without limit or qualification on entrants or the number of entries one entrant may submit. Competitors might include, for example, school sixth forms, university science or engineering departments, groups of apprentices, or small companies. The competition will proceed in the following stages. Entries must be submitted to the *Tomorrow's World* team by 31 December 1980. Early in 1981 those judged to have a real chance of success will be informed that they have advanced to the 'innovation' section of the competition, and they will be expected to proceed with applications for the patenting of their ideas, if appropriate, and with the involvement of a commercial backer if this has not already been done. Entries will be considered by a panel of judges in June 1981, by which stage commercial support must have been obtained. A small number will be selected as winners of the 'innovation' section and will receive certificates from Prince Charles. The criterion will be that they have devised 'an engineering idea with real commercial potential which is either wholly new or adds materially to the effectiveness of existing technology'. During the following 12 months entrants and their commercial backers will be expected to proceed with development and

production. In June 1982 the judges will consider which of the winners of the 'innovation' section has been the most successfully developed and produced, allowing for the different time scales needed for various ideas. The final award will be presented jointly to the original entrant and the commercial backer by Prince Charles in June 1982. Sir Monty Finniston, a Fellow of the Royal Society, recently chairman of the Committee of Inquiry into the Engineering Profession (see pp 60-1) and a former chairman of the British Steel Corporation, has agreed to be the chairman of the panel of judges. Details of the competition are available from *Tomorrow's World*, BBC Television, Kensington House, Richmond Way, London W14 0AX.

The new Prince of Wales award will complement the Young Engineer for Britain competition which is sponsored annually by the Department of Industry. First held in 1977, the competition is open to people aged between 14 and 20 in educational institutions or in industry. The projects entered must be transportable, and may consist of mechanical apparatus or electronic or chemical equipment which benefits industrial production, has commercial potential, saves waste, makes better use of energy sources or improves an existing process. The prizes include visits abroad, scholarships and cash awards. Further details are available from the Department of Industry, Room 354, Ashdown House, 123 Victoria Street, London SW1E 6RB.

SOCIAL AND CULTURAL AFFAIRS

Young Offenders: White Paper

Proposals to strengthen the law relating to juvenile and young adult offenders in England and Wales have been outlined in a government White Paper published on 2 October.[1] The plans include a new custodial sentencing structure, new and improved non-custodial measures for dealing with juveniles, and the strengthening of the courts' powers to make parents pay fines imposed on juveniles.

The Government shares the general public concern about the level of juvenile offending. The White Paper states that it would be misleading, however, if the impression were given that the legislative changes it proposes could be a complete answer or even the most important instrument in dealing with problems of delinquency. The response to these problems must lie initially with the family, helped as necessary by community support networks both formal and informal, voluntary organisations, and the education system. While social services departments and other local authority agencies and the probation service and the police can, and do, provide support and guidance for juveniles in trouble and for their families, the Government believes that parents must be made more aware of their responsibility for their children's behaviour. Good schools, in setting and achieving high standards of work and conduct, have an influence on pupils' behaviour that reaches beyond the school and classroom. The Secretaries of State for Education and Science and for Wales are currently considering the complex relationships between activities within the school and behaviour outside, and are giving particular attention to school attendance and ways of improving it.

The White Paper places the proposals in the context of the Government's commitment to provide a flexible range of penalties, to remove artificial restrictions on the courts' sentencing powers, to limit executive discretion and to encourage non-custodial measures wherever appropriate. The White Paper emphasises the Government's view that a young offender should be given a custodial or residential sentence only when he (or she) is a real danger to society, or has shown himself unwilling or unable to respond to the non-custodial alternatives. It also underlines the Government's view that, when custodial sentences are appropriate, they may often be the more effective for being of short duration, particularly in the case of younger offenders.

The Government's fundamental approach to the problem of sentencing the young offender to custody is that all sentences should be determinate, and the White Paper proposes that it should be for the courts to decide the exact length of sentence appropriate in each case. It refers to the Green Paper on Youth Custody and Supervision published by the previous government (see p 19, 1979) but is unable to accept 'the wide executive discretion' which would have been involved in the Green Paper proposals for a single undifferentiated generic sentence. The Government is also convinced that a single generic sentence would be inappropriate because of the great differences of regime and conditions existing in the detention centres, borstals and prisons for young offenders.

The Government intends to bring forward at the earliest opportunity the legislation necessary to implement its proposals.

The Proposals

Some of the White Paper's main proposals for dealing with young adult offenders (that is, those aged between 17 and 20 years) and with juvenile offenders (those under 17 years) are given below.

Young Adult Offenders

1 The existing sentences of borstal training and imprisonment for all those given custodial sentences of more than four months would be amalgamated into a single determinate sentence, provisionally called 'youth custody'.

2 Under the present law, the courts are generally allowed to imprison young adult offenders either for less than six months or for more than three years. This legislation, which the White Paper proposes to repeal, has had the effect of limiting the power of the courts to impose a determinate sentence whose length is appropriate to the circumstances of the particular offence and the offender. The length of a youth custody sentence would be decided by the courts in each case, subject to the maximum period of imprisonment which would be applicable to an adult.

3 All young offenders serving medium terms of youth custody, fixed initially at over four and up to 18 months, would be guaranteed a place in a designated training establishment.

[1] *Young Offenders*. Cmnd 8045. HMSO. £1·70. ISBN 0 10 180450 4.

4 Detention centres, with shorter minimum and maximum periods of detention, would be retained as separate institutions, suitable for most male offenders sentenced to short terms of custody.

5 All young adult offenders on release from youth custody or detention centre would be supervised for not less than three nor more than 12 months. (There are at present no detention centres for girls, and detention centre orders will continue to be available only for young men. However, youth custody sentences will apply to all young adult women offenders sentenced to three weeks or more; enough suitable accommodation exists for a training place to be guaranteed for young adult women on the same terms as young men.)

Juvenile Offenders

1 A residential care order would be introduced to give the courts the power, in certain circumstances, to order the removal of a juvenile from home. At present, when a court makes a care order for a juvenile the local authority to whose care he (or she) is committed is responsible for deciding where the child should be placed. If he is placed at home and then commits further serious offences, the court has no power to ensure his removal from home, except, if he is 14 or over, by imposing a custodial sentence. The new residential care order would be available to the juvenile court for a child already the subject of a care order for an offence. If he were then to be found guilty of an imprisonable offence, the court would be able to order his removal from home for a period of up to six months.

2 Detention centres would remain available for males aged 14 or over, but with shorter minimum and maximum periods of detention.

3 The courts would be given powers to impose on offenders aged 15 or 16 (who are at present liable to be sentenced to borstal training) medium-term sentences of youth custody.

4 The courts would be given powers to order juveniles under supervision to undertake, with their consent, a programme of specified activities, agreed between the court and the supervising officer. This would be known as a supervised activities or intermediate treatment order.

5 The juvenile courts would be given powers to impose on offenders aged 16 community service orders at present available for 17- to 20-year olds.

6 It is proposed to clarify and strengthen the present provisions which enable the courts to make parents pay the fines imposed on juveniles or to enter into recognisances to take proper care and control of them.

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